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State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

December 3, 2012

CERTIFIED RETURN RECEIPT
7011 0110 0001 3568 4060

Lon Thomas
Star Stone Quarries, Inc.
4040 South 300 West
Salt Lake City, Utah 84107

Subject: Evaluation of Reclamation Surety, Star Stone Quarries, Inc., Cotton Thomas Mine, M/003/0024, Box Elder County, Utah

Dear Mr. Thomas:

The last reclamation cost estimate for the Cotton Thomas mine was completed in 2006 with the surety amount escalated to 2011 dollars, so the reclamation surety amount is now due for review and adjustment. The Division of Oil, Gas and Mining may adjust the amount of reclamation surety as the result of a periodic review taking into account inflation/deflation based on an acceptable cost index (rule R647-4-113.6).

The Division used the calculation from 2006, applied actual changes in costs to adjust the figure to 2012, and then used a five-year average (1.2 percent) to adjust the figure to 2017 dollars. As shown in the attached spreadsheet, the resulting amount is \$166,100.00.

The current reclamation surety is for \$132,230.00 in the form of a surety bond from American Safety Casualty Ins. Co., so the amount needs to be increased by \$33,870.00. This increase can be made by supplying a rider to the surety bond or by submitting cash, a certificate of deposit, or a letter of credit for either the increased or total amount. If you supply an alternate form of surety for the total amount, the Division would release the existing surety. Please contact Penny Berry at 801-538-5291 or by e mail at pennyberry@utah.gov with questions about increasing the surety amount.

Please provide the increased surety by January 22, 2013.

This surety increase is considered an interim measure until the plan and site conditions can be evaluated more fully at which time further adjustment (increase or decrease) is likely.

Thank you for your cooperation. Please call me at 801-538-5261 or Lynn Kunzler at 801-538-5310 if you have questions about this letter.

Sincerely,

Paul B. Baker
Mining Program Manager

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Note: The surety amount is listed
The escalation factor for a year
The starting amount for 2006 is
de-escalated by 1.2%/year for fi
by the number of acres (88 basi
and this was escalated to 2017.